

**Agreed-Upon Procedures for
the Department of the Treasury
Fiscal Year 2002
Federal Intragovernmental
Activity and Balances**

OIG-03-054 February 4, 2003



Office of Inspector General

The Department of the Treasury

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**Department of the Treasury FY 2002 CFO Representations for Federal
Intragovernmental Activity and Balances**

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Director, Financial Reports Division
Financial Management Service

Gary Engel
Director, Financial Management and Assurance
U.S. General Accounting Office

Teresa Mullet Ressel
Acting Assistant Secretary for Management and
Chief Financial Officer
Department of the Treasury

We have performed the procedures enumerated below, which were agreed to by the Department of the Treasury's (Department) Financial Management Service (FMS), the U.S. General Accounting Office (GAO), and the Office of Management and Budget (OMB), solely to assist you in analyzing the Department's reconciliation of Federal intragovernmental activity and balances. The Department is responsible for the reconciliation of Federal intragovernmental activity and balances. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedure 1

Review the electronic file provided by the CFO of the responses to items (5) and (6) of the CFO Representations for Federal Intragovernmental Activity and Balances described in the Treasury Financial Manual (TFM) and the copies of the reconciliations and confirmations at item (9). For each "Yes" response to items (5) and (6), perform the following steps (a "Yes" response indicates that the intragovernmental activity and/or balance was reconciled with the agency's trading partner.):

- Compare the amounts in such reconciliations to supporting documentation. Indicate if no differences were found. Clearly explain any differences.
- Trace the adjustments, if any, identified in the reconciliation process that require recognition on the books of the reporting entity (rather than on the books of the trading partner) to documentation supporting recording of such amounts in the agency's financial records. Indicate if no differences were found. Clearly explain any differences.

Findings

For each "Yes" response to items (5) and (6) we compared amounts in the reconciliations to the supporting documentation, without exception. There were no adjustments identified in the reconciliation process that required recognition in the Department's books

Procedure 2

Review the electronic file provided by the CFO (CFO Representations for Federal Intragovernmental Activity and Balances). For each "Yes" response to item (10) under the section entitled *CFO Procedures for Federal Intragovernmental Activity and Balances*, compare the amounts, excluding intradepartmental activity and balances, in the audited agency consolidated financial statements to such amounts in the agency's final FACTS I and/or FACTS I NOTES reports to FMS. (A "Yes" response indicates that the amount of the intragovernmental activity and/or balance per the agency's financial statements, excluding intradepartmental activity and balances, agree with the final amounts reported to FMS by FACTS I and/or FACTS I NOTES for fiscal year 2002.) Indicate if no differences were found. Clearly explain any differences.

Finding

For each "Yes" response to item (10) we compared the amounts, excluding intradepartmental activity and balances, in the Department's audited consolidated financial statements to such amounts in the Department's final FACTS I and/or FACTS NOTES reports to FMS, without exception.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Department's reconciliation of Federal intragovernmental activity and balances. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Department, FMS, GAO, and OMB, and is not intended to be and should not be used by anyone other than these specified parties.

* * * * *

Should you or your staff have questions, you may contact me at (202) 927-5430 or a member of your staff may contact Mike Fitzgerald, Director, Financial Audits, at (202) 927-5789.

/s/

William H. Pugh
Deputy Assistant Inspector General for Financial Management
and Information Technology Audits
February 4, 2003

FYE '02 CFO Representations for
Federal Intragovernmental Activity and Balances

Paragraphs 5 - 8

Mark in Green
Areas Only

Agency Name 2-Digit Agency Code

INSTRUCTIONS: Next to each Category type in "Yes", "No", or "N/A" to indicate whether or not reconciliation was complete, or not applicable.
(Requirements stated in FPM Sec. 4030.80)

Enter
"Yes"
or "No"
or "N/A"

If Reconciliation NOT Complete
Describe
Area & Extent of
Noncompliance

If Reconciliation IS Complete
Was an Adjustment Recorded?
("Yes" or "No")
If "No," Describe Reason for No
Adjustment

A. FIDUCIARY CATEGORIES

1. Investments in Federal securities with trading partner debt issued by BPD	NO	Treasury must eliminate investments in BPD Securities in its own financial statements. We do not completely reconcile mainly because of differences in amortization methods (DC Pension Fund). Difference is \$2,669,646.	
2. Interest receivable with trading partner, BPD, interest payable	YES		No adjustments because there are no differences requiring adjustment.
3. Interest revenue with trading partner, BPD, Interest expense	NO	Treasury does not completely reconcile mainly because of differences in amortization methods (DC Pension Fund). Difference is \$270,410.	
4. Loans receivable of Treasury and the Federal Financing Bank (FFB) with trading partners, Treasury and FFB, loans payable	YES		No adjustments because there were no differences requiring adjustment.
5. Interest payable with trading partners, Treasury and FFB, interest receivable	YES		No adjustments because there were no differences requiring adjustment
6. Interest expense with trading partners, Treasury and FFB, interest revenue	YES		No adjustments because there were no differences requiring adjustment.
7. Agencies' activity and balances for the Federal Employees' Compensation Act with the trading partner, Department of Labor (DOL) -- Liability	NO	Treasury does not record the DOL year-end net allocation of \$4,357,431.23. Remaining difference of \$408,198.15 mostly resulting from Treasury recording errors and use of estimates. FY 2002 Treasury records were closed at the time of the comparison.	
8. Agencies' activity and balances for the Federal Employees' Compensation Act with the trading partner, Department of Labor (DOL) -- Expense	NO	Treasury was off \$777,375 with DOL. We determined that \$260,396 was due to bureau recording errors/estimates.	
9. Agencies' employee benefit program activity and balances for the Federal retirement, health benefits and life insurance programs with the trading partner, Office of Personnel Management (OPM) -- Liability	NO	At this time, NFC cannot supply balances at the Treasury bureau level. Accordingly, Treasury cannot perform a reconciliation with OPM. However, Treasury did not have large differences with OPM on employee benefit program activity.	

FYE '02 CFO Representations for
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or "No"
or "N/A"

If Reconciliation NOT Complete
Describe
Area & Extent of
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If Reconciliation IS Complete
Was an Adjustment Recorded?
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10. Agencies' employee benefit program activity and balances for the Federal retirement, health benefits and life insurance programs with the trading partner, Office of Personnel Management (OPM) --Expense

NO

See response above.

11. Other (Enter here)

N/A

B. NON-FIDUCIARY CATEGORIES

Asset

1. Accounts receivable with trading partners' accounts payable and other liabilities

NO

Treasury's total intragovernmental A/R at 9/30/02 was approx. \$715M. \$666M (93%) was attributable to reimbursable amounts due to FMS for contract disputes. The actual FMS A/R total is \$1.4B. FMS is carrying a \$795M allowance for uncollectible accounts. FMS was not able to completely reconcile/confirm with other agencies. The difference of \$58M along with the allowance of \$795M will result in a \$853M FACTS I out of balance condition. The Treasury Franchise Fund attempted to reconcile/confirm \$32M but did not receive responses from all partners.

2. Loans receivable with trading partners' loans payable

N/A

The Department does not have any loans receivable outside of the fiduciary categories (BPD & FFB).

3. Interest receivable with trading partners' interest payable

N/A

Treasury does not have any interest receivable outside of the fiduciary categories (BPD & FFB).

4. Transfer assets with trading partners' transfer liabilities

N/A

No balances in SGLs 1330 or 1335

5. Advances and prepayments with trading partners' advances from others and deferred credits

NO

The Department's balance sheet has a line titled Advance to the Black Lung Trust Fund. This advance is reported in FACTS I by Treasury as \$7,719B. Treasury's BPD performs the accounting for both Treasury and DOL (16). Information from FMS indicates that DOL did not report the liability in Category 23. Our understanding is that DOL is correcting. Treasury reports the remaining \$26M in advances/prepayments on the balance sheet as Other. We did not receive sufficient information from providers to reconcile and \$13M was unidentified (Code 00) by one Treasury bureau.

FYE '02 CFO Representations for
Federal Intragovernmental Activity and Balances

Paragraphs 5 - 8

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Areas Only

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INSTRUCTIONS: Next to each
Category type in "Yes", "No", or
"N/A" to indicate whether or not
reconciliation was complete or not
applicable.
(Requirements stated in IFM Sec. 4030.80)

Enter
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or "No"
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If Reconciliation NOT Complete
Describe
Area & Extent of
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If Reconciliation IS Complete
Was an Adjustment Recorded?
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6. Other (Enter here)

N/A

Other on Treasury's balance sheet consists of
advances and pre-payments. See 5 above.

Liability

7. Accounts payable and other liabilities
with trading partners' accounts
receivable

NO

The Department reported \$664M in payables.
\$167M is payable to the General Fund. \$193M
is related to FECA (DOL) and \$43M is related
to OPM, which are included in the fiduciary
categories. \$100M is unidentified. We did not
receive sufficient information from providers to
reconcile the remainder.

8. Other (Enter here)

N/A

Included as A/P in 7 above.

Cost

9. Operating cost with trading partners'
earned revenue

NO

We did not receive information from major
providers. We received insufficient information
from other partners.

10. Imputed cost with trading partners'
imputed revenue

N/A

There is no reconciliation. Both the cost and the
revenue are recorded by the receiving agency.

11. Benefit program expense with
trading partners' benefit program
revenue

N/A

The only benefit expense outside of the fiduciary
categories was FICA expense with the General
Fund of the Treasury.

12. Interest expense with trading
partners' interest revenue

NO

Treasury recorded \$4,280B in other interest
expenses (SGL 6330 -outside of BPD fiduciary).
This balance was incurred by FMS as interest
expense on uninvested funds. FMS could not
completely reconcile. \$5M was not confirmed
and differences totaling \$48M were attributable
to timing differences.

13. Other (Enter here)

N/A

Revenue

14. Earned revenue with trading
partners' operating cost

NO

Treasury bureaus attempted to confirm earned
revenue with other agencies. They did not
receive sufficient responses from other agencies
for complete reconciliation. Treasury had less
than \$500M in earned revenue and was not
required to display this information in RSI.

FYE '02 CFO Representations for
Federal Intragovernmental Activity and Balances

Paragraphs 5 - 8

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Enter
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("Yes" or "No")
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Adjustment

15. Other (Enter here)

NO

Treasury had approx. \$200M in Other Revenue
(SGL 5900). \$195M was recorded by FMS in
connection with contract disputes (as discussed
above). FMS only confirmed receivables.

Other

16. Contra liability for subsidy payable
to financing account with trading
partners' subsidy payable to financing
account

N/A

17. Transfers in with trading partners'
transfers out

NO

The Department had \$44M in transfers in. The
Department was unable to confirm \$37M from
DOJ (15). However, FMS FACTS I information
indicates (Category 18) is only out of balance by
\$670K with DOJ. We did not attempt to
confirm the remaining miscellaneous \$7M. The
Department notes differences, recorded by
other agencies, appear to be caused by the other
agencies identifying Treasury as the partner
instead of the General Fund of the Treasury
(99).

18. Other (Enter here)

N/A

FYE '02 CFO Representations for
Federal Intragovernmental Activity and Balances

Paragraphs 10 - 1 Mark in Green Areas Only

Agency Name	
2-Digit Agency Code	

INSTRUCTIONS: Next to each Requirement enter "Yes" or "No" to indicate whether or not your Agency's audited financial statements agree with the criteria below. Also, enter explanations for exceptions (briefly) <div style="text-align: center;"> Yes or "No" or "N/A" </div> <i>(Please refer to the requirements stated in TFM Sec.4030.80)</i>		Reason for Exceptions
Did you compare intragovernmental balances per your agency financial statements with FACTS I and/or FACTS NOTES for the fiscal year? Please indicate "Yes" if all amounts and USSGL accounts agree, or "No" if there are differences. For all "No" responses, please identify and describe the differences.	NO	See Clarification of Item 10 on page 6.
Did you compare the disclosures in the notes to your audited agency financial statements for gross cost and earned revenue by budget functional classification with the requirements of OMB Bulletin 01-09 ? Please indicate "Yes" if such disclosures conform to OMB's form and content bulletin, and "No" if there are exceptions. For all "No" responses, please briefly identify and describe the exceptions.	Yes	
Did Agency compare the disclosures in the RSI section of the audited agency consolidated financial statements with the requirements of OMB Bulletin 01-09? Please indicate "Yes" if such disclosures conform to OMB's form and content bulletin, and "No" if there are exceptions. For all "No" responses, please identify and describe the exceptions.	Yes	

**Clarification of Representation Related to
Item (10) in the FYE '02 CFO Representations
for Federal Intragovernmental Activity and Balances**

During the course of completing the FACTS I Account Grouping Worksheet (AGW), we noted certain differences, between the balances on our audited FY 2002 financial statements/notes intragovernmental lines and the corresponding FACTS I AGW intragovernmental lines. We provided explanations for those differences. We concluded that this should constitute an **overall** "No" answer to Item 10. However, individually, for those intragovernmental line balances that did not have any difference, our the representation should be considered a "Yes."